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Pensions & Investment Age

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Inside:

CLIMB EVERY MOUNTAIN: Marci Avrin, a pension fund consultant, and Greta Marshall, investment manager of the California employees' fund, were part of a group that recently took a trek through the Himalayas — page 2

REAL ESTATE: Benjamin Lambert, chairman of Eastdil Realty, says pension fund executives considering real estate investing should take an "amber light approach," not a green light one because of market uncertainties— page 23.

Photo by Arnie Adler

Stock indexing slows to a trickle in late '86

By Trudy Ring and Brian Lehrer

Stock index fund growth stopped abruptly and dramatically in the latter part of 1986, fueling speculation that the popularity of stock indexing has peaked, and that specialized index products may be necessary to attract clients.

Bond index funds continued growing, albeit at a slower rate than in the first half of the year, and managers looked for further gains in the bond and international index areas.

Stock index funds grew just 0.85%, to $102.3 billion, in the five months ended Nov. 30. Adjusting for market appreciation, indexed equity assets remained flat, as the benchmark Standard & Poor's 500 stock index gained 0.79% in that period.

Ralph Webster, vice president of Mercantile Trust Co., St. Louis, said indexing has run out of players. "Most of the money that is going to be indexed has been indexed now," he said.

In the six months ended June 30 — the previous period for which *Pensions & Investment Age* surveyed index fund managers — stock index funds had gross growth of 51.9%. The S&P 500 was up 20.84% in that period, making the net growth about 31%.

Bond index funds grew 54.7%, to $30.3 billion, in the five months ended Nov. 30. The market gain in that period, as measured by the Shearson Lehman Government/ Corporate bond index, was 4.76%, making the net gain about 50%.

In the six months ended June 30, bond index funds had a gross gain of 66% and a net gain of about 56%, as the Shearson Lehman index gained 9.94% in that period.

International index funds, almost exclusively in equities, were not accounted for separately in the previous survey. As of Nov. 30, $3.2 billion was invested in international index funds. Because the international funds were not measured separately previously, it is impossible to see how much they gained. The Morgan Stanley Capital International Europe Australia Far East index was up 14.04% in that period.

Overall, without adjusting for market appreciation, indexed assets grew 22.1%, to $152.6 billion, in the five months ended Nov. 30. In the six months ended June 30, they had grown 59%. Indexed assets not accounted for as equity, bond or international are in various futures or asset allocation strategies.

"There could indeed be a tapering off of the pure plain vanilla-type index funds," said Tom Stevens, chief investment officer of Wilshire Associates' asset management operation, Santa Monica, Calif. But traditional index funds likely will be replaced with customized ones, he said.

Indexing exploded in the past couple of years, as the majority of

Continued on page 34

Drexel's record year eases scandal's pain

By Marci Baker

NEW YORK — Drexel Burnham Lambert Inc. raised $6.8 billion for clients in public and private markets in the final six weeks of 1986, brushing aside any uncertainty caused by the Ivan Boesky insider trading scandal.

The surge in financings, which accounted for 15% of Drexel's volume for the year, came as rivals on Wall Street and others questioned whether the firm would be able to finance the deals to which it had committed.

And it capped what was for Drexel the best of years and the worst of years.

At the same time Drexel senior executives fought to dispel fears that its close ties with Mr. Boesky had drawn the firm and its junk bond business deeply into the Securities and Exchange Commission's probe, they were racking up a record year for revenue and profits.

Although junk bonds continued as a key contributor to the bottom line, the firm gained force in other businesses, ones that developed outside the glare of controversy and that also turned in exceptional performances.

Indeed, every one of Drexel's 22 businesses ended the year in the black, its executives claim — an unusual feat for any Wall Street firm.

"It's amazing," said Frederick Joseph, chief executive officer, clearly tickled. "Most of the time, you have some businesses that aren't performing — a technicality, bad management or sometimes a trading mistake. But the surprise this past year was that we seemed to be hitting on all cylinders, which is extraordinary."

Photo by Al Stephenson

Frederick Joseph claims Drexel "seemed to be hitting on all cylinders" last year.

Total revenue for the year climbed to an estimated $4 billion from the record $2.25 billion

Continued on page 36

Navistar contributes stock

By Barry B. Burr

CHICAGO — Navistar International Corp. was the only company to make a non-cash contribution to its defined benefit plan in 1986, according to a survey of the 200 largest pension plans by *Pensions & Investment Age*.

Robert C. Lannert, vice president and treasurer, said Navistar elected to contribute $104.5 million worth — or 22 million shares — of its common stock in December, even though it was able to contribute cash.

The contributed stock represents the second non-cash contribution Navistar has made to its pension plan in the past 12 months. In December 1985, the company contributed $25 million worth of bonds, which since have been sold.

The stock contribution piggybacked a public offering of an additional 104 million shares by the company Dec. 29. The contributed stock was priced at the same $4.75 a share for which the offering sold in the market.

The company turned the stock over to two of its pension investment managers to run without restrictions.

Jennison Associates Capital Corp. and J.P. Morgan Investment Management Corp., both of New York, still held the stock as of Jan. 5, according to Mr. Lannert. The stock closed that day at 5¼.

Continued on page 36

Judy Mares, left, Greta Marshall, second from left, and Marci Avrin, second from right, stand with two of their companions on an expedition through Nepal's mountains, including the peak shown below. The three made it through the trip without discussing their jobs.

Mountain trek gives trio a new outlook

By Marcia Parker

Judy Mares recalls the times when "the sky looked like someone had thrown glitter into it. There's no light."

Greta Marshall brought home "a fresh perspective on life."

Marci Avrin wants to holds on to the feeling of being humbled by the earth's overwhelming natural beauty and the insignificance of humanity. "You really realize that we all take ourselves too seriously," she said.

Ms. Mares, assistant treasurer of General Mills Corp., Minneapolis, and Ms. Marshall, investment manager for the California Public Employees' Retirement System, Sacramento, are back at work after a 10-day hiking trek in Nepal's Himalaya Mountains.

Ms. Avrin, a pension fund consultant in San Francisco, is in transition; she spent more than two months racking up other high adventures in the Far East after her colleagues departed for home.

"I have a confession to make," said Ms. Mares. "We never once — with the exception of a couple momentary slips — talked about our jobs. That was the ground rule."

That wasn't easy for Ms. Mares, who had just been promoted to assistant treasurer at General Mills after a long career with the company on the pension fund side of the business.

Ms. Marshall also carried some guilt along with her mountain-climbing gear. "I committed myself way in advance, way before I knew how much (work) there would be to do," she said.

For Ms. Avrin, it was a dream come true — one she'd planned in advance with the idea she'd be away for a long, long time.

"I'd been wanting to do this for years," said Ms. Avrin, who masterminded the trip, persuading her colleagues to join her.

Although all three women run and are physically fit, none is a hiker or mountain climber.

"I just had to break in my hiking boots. At work the week before I shucked my high heels at lunch everyday and went for a walk in my hiking boots," Ms. Mares recalled.

They traveled in lush green valleys at 9,000 feet, past winding rivers and over suspension bridges to barren plateaus at 14,000 feet.

They saw Sherpa villages, home to the Tibetan Buddhists, magnificent views of Mount Everest and the revered Thyang Boche Monastery on top of a hill.

"Basically you sleep, eat and walk. The mountains and scenery are incredible and beautiful," Ms. Marshall said. "There were days when I wondered how I could have thought this was a vacation — one I was paying for."

On their last day in the mountains, everyone was wrapped up

in "their own private feelings about coming down the mountains."

"People were walking alone trying to take in the last hours of the majesty," Ms. Mares said.

"I went to get completely away, to divorce myself from urban life. We all have sedentary jobs and we wanted the physicalness, the exercise," she said. She said she came back with insight into a Third World country and an appreciation for her own country.

Ms. Avrin said the trip gave her a new view of life and work.

"You're only judged on if you can get up the mountain, not by who you are and what you do. It's humbling, and it puts everything into perspective. I hope it lasts. I want to hold on to it," she said.

For Ms. Marshall, the "fresh perspective" struck her after she set down on American soil.

"Things that seemed so important at home didn't after the trip," she said.

"I spent a lot of time thinking about how people live there. It is primitive with everything powered by human power in an underdeveloped country.

"I began to grasp the enormity of the economic gap between the United States and these countries." ■

Electronic crossing system

Lack of participants short-circuits second effort

By Chuck Paustian

The belief of some institutional investors that the ultimate success of electronic crossing networks depends on their ability to attract participants and develop liquidity was proven true last week.

On Jan. 7, officials of Instinet Corp., New York, and Plexus Group, Santa Monica, Calif., attempted a second crossing of trades on their system among four institutional investors. None of the trades crossed, although the initial crossing (Dec. 12) among seven participants was more successful.

"It's sort of an illustration of the conundrum . . . in the sense that when there's that few, the system does not work very well," said Edward C. Story, a partner at Plexus.

Nevertheless, Wall Street's inability to accommodate the growth of non-specific stock trading by institutional investors is the driving force behind the development of crossing networks.

Institutional investors have shifted their philosophical approach to the equity market, viewing equities more as a commodity than as a specific investment in an individual company.

This shift, documented by the growth of stock index funds and highly quantitative strategies, means institutional investors want to trade portfolios that represent the equity market or a particular segment of the market, rather than individual stocks.

"In other words, we're trading the stock market, not individual stocks. We're treating them more as a genuine commodity," said Robert E. Shultz, director of U.S. retirement funds at IBM Corp., based in Armonk, N.Y., in a speech before the New York Society of Security Analysts.

"Obviously as we have less focus on stocks, more on factors and more informationless trades, that implies sponsors need a different method of transacting in the marketplace," said Mr. Shultz, who oversees more than $18.19 billion in retirement assets.

Standard brokerage arrangements (with the possible exception of program trading) still deal with individual stocks and assume that these trades contain valuable information.

"All I'm suggesting is that more and more of the volume that crosses the floor (of the exchanges) every day is not specific based information trading of individual stocks," Mr. Shultz said.

Electronic crossing networks allow investors to trade entire portfolios in a matter of minutes, at a fraction of the commission cost and without market impact.

Besides the Instinet network, Jefferies & Co., Los Angeles, working with BARRA, Berkeley, Calif., have developed a computer crossing system (*Pensions & Investment Age*, Dec. 22). Chase Manhattan Bank, New York, is working on an electronic crossing network project.

Pension funds increasingly have shifted their view of equity investments toward more passive and quantitative strategies.

Assets invested in stock index funds have grown to about $102.34 billion as of Nov. 30. Seven of the 10 investment managers identified by *P&I Age* as up-and-coming investment firms employ quantitative strategies.

"Part of that (growth) is disillusionment with active management and recognition that there are additional costs associated with active management," said Edward Baker, director of BARRA.

Mr. Baker said the additional costs of active management include fees for monitoring services and higher transaction costs.

A recent survey of institutional equity brokerage commissions conducted by SEI Corp., Wayne, Pa., shows investment managers pay an average of 7.2 cents per share, compared with 7.3 cents per share for stock trades the previous year.

But active management will not disappear. "We will see more kinds of active management that have a portfolio-oriented concept rather than a stock picking-oriented concept," Mr. Baker said.

Wall Street traders are not ade-

Continued on page 38

Tax reform top story of '86

By Nancy K. Webman

Passage of tax reform was the most significant event affecting the capital markets in 1986, a survey of *Pensions & Investment Age*'s readers shows.

The survey questionnaire, published in the Nov. 24 issue of *P&I Age*, invited readers to rank order — among 22 choices — the five most important financial news events of last year.

Tax reform will eliminate the deductibility of many individual retirement accounts, reduce the scope of 401(k) salary reduction plans and require five-year vesting in pension plans. More than 86% of respondents picked tax reform as one of the top five stories.

The collapse of Ivan F. Boesky's arbitrage empire the second most significant news event of 1986, appearing in the rankings of more than 62% of the respondents.

Mr. Boesky is the central figure in the Securities and Exchange Commission's widening probe into insider trading. He was fined $50 million and had to return $50 million in illegal profits.

The dramatically increased use of program trading was the third most significant story.

Program trades take advantage of the spreads between the prices of stocks and stock index futures and options, and have been blamed for the stock market's increased volatility. More than 62% of respondents chose program trading as one of the five most important stories of the year.

The sharp drop in interest rates was the fourth most significant story, appearing on more than 59% of respondents' lists.

A fourfold increase in the use of portfolio insurance was chosen as the fifth-ranked news event, but only 30% of respondents listed portfolio insurance among the five most significant stories.

Two other news events received many votes: The crisis in fiduciary liability insurance was ranked sixth, even though it appeared on only one-quarter of the respondents' lists; and the effect on the Pension Benefit Guaranty Corp. of The LTV Corp.'s estimated $650 unfunded pension liability was ranked seventh, appearing on 35% of respondents' lists.

Survey responses were tabulated by awarding five points to the reader's top-ranked story; four points to the second-ranked one; three points to the third; two points to the fourth; and one point to the fifth. ■

Highlights

CASH MANAGEMENT

NCCMA chief sets objectives for '87 27
Backup credit costs differ 27

CORPORATE FINANCE

Firms scrambled for share of issues 7
Junk bonds set record 8

INTERNATIONAL

Yen bonds still lure institutions 17
7 funds allocate to international 17
Update 17

REAL ESTATE

Pullout goes one; PRISA loses CIBA 23
Alaska investment pays off 23
Wrap-up 24

GENERAL NEWS

Texas bank mergers signal changes 4
Connecticut's plan in place 12
California fund adds 5 13
Council protesting buy-out of Perot 14

DEPARTMENTS

Datebook 19
Discs & data 32
Late news 38
Letters 10
Market beat 22
Money movers 33
Opinion 10
People 31
Research report 30
Washington notebook 26

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Mergers' effect assessed

Changes seen for cash management, trust units

By Fred Williams
and Marcia Parker

The merger of Dallas banks RepublicBank Corp. and InterFirst Corp., and the acquisition of Texas Commerce Bancshares, Houston, by Chemical New York Corp., will produce two dominant cash management banks and reshape their trust and investment services.

In fact, one cash management consultant predicts the Republic/InterFirst merger will create the nation's largest cash management bank.

The picture is hazier in the trust area. Republic and TCB run their assets in the trust departments, while InterFirst and Chemical have investment management subsidiaries.

Although immediate effects likely will be minimal, bank officials concede overlapping services eventually will be eliminated and operations consolidated.

Analysts predict there will be cost cutting, but no price reductions for corporate customers.

One outcome of the mergers already is evident: The two bank holding companies will become dominant in the bank cash management services business, said Anthony Carfang, principal with Treasury Strategies Inc., a Chicago cash management consulting firm whose clients include Chemical, Republic and InterFirst.

"In the longer run, the Republic/InterFirst merger will see some consolidation, which will result in higher-quality services . . . Basically what you will get is the largest cash management bank in the United States and with incredible economies of scale," he said.

The combination of TCB and Chemical will "create an interesting combination . . . TCB will have access to Chemical's nationwide collection and cash disbursement network. By the same token, Chemical can add some Texas points to its controlled disbursement network and take advantage of some other geographic considerations," he said.

Jerry Boynton, senior vice president-cash management at TCB, said officials of TCB and Chemical still are examining each other's operations. "There is a sense of autonomy here and we believe it is for real. But it is foolish to believe there won't be some cross-fertilization in people and in facilities," he said.

In the trust area, the Texas banks share clients. Southwestern Bell Corp., St. Louis, for example, uses all three to manage a portion of its pension assets.

R.W. Wohlert, assistant treasurer-corporate finance at Southwestern Bell, said he doesn't anticipate any major changes as a result of the mergers.

"Republic-InterFirst will be an even stronger organization combined. But we will have to wait and see how they consolidate and what they eliminate," he said.

"With TCB, I'm not so sure Chemical will be any major influence on the trust side. We don't really have any big concerns."

In the trust area, the merger with InterFirst will bring Republic access to dozens of regional and national clients now investing with InterFirst through its subsidiary, InterFirst Investment Management Inc.

InterFirst Investment has about $6.5 billion under management, $3 billion of it tax exempt, according to the *Pensions & Investment Age* May 19 listing of the largest money managers. RepublicBank has about $7.5 billion total under management, with $5.5 billion of it tax exempt.

TCB's trust department has $9 billion under management with about $5 billion in tax-exempt assets, officials there said. And according to a 1985 American Bankers Association survey, Chemical had $16.3 billion in discretionary trust assets.

Republic and InterFirst officials are considering combining assets, but the investment styles differ. InterFirst Investment Management is a low price-earnings ratio, growth manager; Republic tends to be more value oriented.

"I'm not sure how they will reconcile it," said Southwestern Bell's Mr. Wohlert. "My understanding is that they will run things the same as in the past and have no immediate plans to do away with either style. We will have the same portfolio managers and will maintain the same styles."

David J. Pittman, senior vice president and director-trust corporate services marketing at Republic, said the issue is "something that we will have to look at."

H. Edward Anderson, Republic's chief investment officer, is expected to assume overall responsibility for investments whatever the final setup. Mr. Pittman is expected to assume overall corporate marketing responsibilities.

"On the investment side, our performance has been better (than InterFirst) recently. They lost Dan Forrestal (as president of InterFirst's subsidiary) and we have some duplication. Both have research teams and there probably is no need for two research departments," said Mr. Pittman.

"Republic does international and they don't. The InterFirst real estate portfolio is larger and both are strong in property management. We manage our own short-term assets and they use AIM (Management in Houston). On the commingled side, it is likely that there will be some merging sometime in the future. It doesn't make sense to run separate commingled funds."

Mr. Pittman said the annual revenue expected to be generated by the combined trust operation is about $100 million.

In the master trust/custody area, InterFirst handles $8 billion and RepublicBank, $29.8 billion. Republic has built a national reputation in this area and Mr. Pittman said while both banks offer record-keeping capabilities any changes in this area would be "longer term in nature."

At TCB, William Wagner, trust vice president, said: "It's going to be steady as you go for us, only faster," he said. "There will be no changes for at least five years and each bank is going to operate autonomously."

TCB's small but profitable trust division is one nugget that made the acquisition of the Houston bank attractive to Chemical.

There also is speculation Chemical may use the TCB master trust operation to get back into a business the big money center bank left several years ago, although Chemical officials declined to discuss that possibility.

Said Mr. Wagner: "The trust department has been the focus of business development plans at Texas Commerce for the last five years. We are starting to get some new products such as securities lending and on-line services . . . We will be able to learn from each other."

Carole Berger, vice president and bank analyst at Cyrus J. Lawrence Inc., New York, expects Chemical to leave TCB's trust operation alone.

"If it isn't broken, don't fix it," she said. "It's important as far as the market there. Having a trust operation in Texas is valuable. It hasn't been a profit center for Chemical. Money center banks haven't done it well. But that's not the case for some of the smaller banks."

Bank officials declined to comment on whether the trust area would be spun off into an independent money management firm as has been speculated. Chemical spun off its $8 billion trust and investment division into Favia Hill & Associates, New York, in 1983.

TCB's trust department underwent some reorganization last year. One of the biggest blows was the resignation of its highly regarded equity investment manager William Lee.

Earlier, Russ Schulze II, senior vice president and trust officer, resigned after a policy disagreement. Now with National Actuarial Pension Services in Houston, Mr. Schulze said the merger with Chemical should help TCB in the investment side but, "I'm not sure it will do anything in the trust area." ■

Corrections & clarifications

• **Lehndorff & Babson Real Estate Counsel**, Dallas, does not buy property nor sell it to its clients, as was stated in a Nov. 10 article.

• **NWQ Investment Management Co.**, Los Angeles, was hired by the Monroe (Mich.) Retirement System to run a $7.6 million portfolio. The money manager was identified incorrectly in the Nov. 10 issue.

• The proxy research firm for State of Connecticut Trust Funds was reported incorrectly Nov. 24. The firm is **The New England Asset Management Co.**, Hartford, Conn.

• **Morton Thiokol Inc.** had $454 million in defined benefit plan assets as of Sept. 30. The assets were given incorrectly in the Dec. 22 issue.

• An article in the Dec. 22 issue omitted **Prudential Asset Management Group**, Newark, N.J, as a passive fixed-income manager. As of Jan. 1, 1986, the firm had $4.627 billion in such assets under management.

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1986 underwriting rankings
(Full credit to lead manager)

Firms scrambled for their share of '86 issues flood

By Marci Baker

NEW YORK — Low interest rates, an ebullient stock market, hectic merger activity and pending tax laws sent issuers into the domestic markets in droves last year, creating the biggest year ever for new-issue financings.

Perennial front-runners in the scramble for market share mostly retained their positions, but in several market segments (straight debt, mortgage-backed securities and junk bonds) they did so by narrower margins.

Overall domestic financing climbed to a record $285 billion, up 106.5% from the $138 billion raised by issuers in 1985, according to IDD Information Services, New York.

The number of issues increased 69.5% to 3,767, from 2,222 in 1985.

All issues

U.S. market

Firm	$ mil.	Issues
1. Salomon Brothers	51,028.3	450
2. First Boston	44,096.1	406
3. Morgan Stanley	31,819.6	275
4. Drexel Burnham	30,732.2	266
5. Merrill Lynch	30,537.7	313
6. Goldman, Sachs	29,456.4	267
7. Shearson Lehman	17,512.7	281
8. Kidder, Peabody	10,153.5	186
9. PaineWebber	5,048.9	125
10. Bear, Stearns	4,087.5	85
11. Prudential-Bache	4,073.4	77
12. Smith Barney	3,465.4	64
13. Dean Witter	2,419.5	48
14. E.F. Hutton	2,341.1	43
15. Lazard Freres	2,198.7	15

Euromarket*

Firm	$ mil.	Issues
1. Salomon Brothers	54,925.8	478
2. CSFB[1]	48,788.8	434
3. Morgan Stanley	34,546.6	292
4. Merrill Lynch	34,162.1	336
5. Goldman, Sachs	31,799.7	278
6. Drexel Burnham	31,105.2	271
7. Shearson Lehman	19,875.4	298
8. Kidder, Peabody	10,644.4	195
9. PaineWebber	5,108.9	127
10. Prudential-Bache	4,477.9	80
11. Nomura Securities	4,359.5	32
12. Bear, Stearns	4,039.5	84
13. Smith Barney	3,465.4	64
14. Dean Witter	2,419.5	48
15. E.F. Hutton	2,341.1	43

Worldwide**

Firm	$ mil.	Issues
1. CSFB[1]	63,873.3	507
2. Salomon Brothers	59,263.2	504
3. Morgan Stanley	40,662.6	348
4. Merrill Lynch	36,530.1	354
5. Goldman, Sachs	33,077.4	289
6. Drexel Burnham	31,105.2	271
7. Shearson Lehman	21,767.4	305
8. Nomura Securities	16,850.0	144
9. Deutsche Bank	12,081.8	85
10. Kidder, Peabody	11,098.5	198
11. Daiwa Securities	10,795.6	99
12. Morgan Guaranty	10,405.8	72
13. Union Bank Switz.	8,038.8	81
14. Banque Paribas	7,529.5	72
15. Nikko Securities[2]	5,785.7	59

Bond issues

Straight debt

Firm	$ mil.	Issues
1. Salomon Brothers	44,057.3	369
2. First Boston	39,840.1	360
3. Morgan Stanley	26,786.0	203
4. Merrill Lynch	24,243.8	194
5. Goldman, Sachs	22,490.5	188
6. Drexel Burnham	21,877.5	132
7. Shearson Lehman	12,846.6	211
8. Kidder, Peabody	7,022.7	117
9. PaineWebber	3,424.7	75
10. Bear, Stearns	3,002.0	51
11. Smith Barney	2,211.0	31
12. Prudential-Bache	1,986.9	46
13. E.F. Hutton	1,659.3	20
14. Dillon, Read	1,608.9	15
15. Dean Witter	1,544.4	26

Convertible debt

Firm	$ mil.	Issues
1. Drexel Burnham	3,203.7	50
2. First Boston	1,095.0	13
3. Merrill Lynch	928.7	15
4. Morgan Stanley	634.5	9
5. Goldman, Sachs	460.0	8
6. Donaldson, Lufkin	431.1	10
7. Kidder, Peabody	400.0	7
8. Shearson Lehman	295.0	5
9. L.F. Rothschild	270.0	7
10. Salomon Brothers	270.0	5
11. Bear, Stearns	205.0	5
12. Smith Barney	185.0	4
13. Dean Witter	152.0	5
14. Allen	150.0	3
15. Robinson-Humphrey	130.0	5

Mortgage related

Firm	$ mil.	Issues
1. Salomon Brothers	17,023.3	196
2. First Boston	12,093.4	225
3. Merrill Lynch	7,592.3	66
4. Shearson Lehman	4,096.7	144
5. Morgan Stanley	3,804.5	71
6. Kidder, Peabody	3,095.4	79
7. Goldman, Sachs	2,590.5	49
8. Prudential-Bache	1,395.1	39
9. Drexel Burnham	1,365.7	25
10. PaineWebber	1,211.2	52
11. Bear, Stearns	995.3	24
12. Dean Witter	833.9	16
13. Thomson McKinnon	396.1	15
14. Wheat	273.6	22
15. Rauscher Pierce	114.5	8

Stock issues

Common stock

Firm	$ mil.	Issues
1. Goldman, Sachs	4,858.4	50
2. Merrill Lynch	4,350.2	89
3. Salomon Brothers	4,101.0	40
4. Shearson Lehman	3,201.7	51
5. Morgan Stanley	3,092.0	43
6. Drexel Burnham	2,680.9	63
7. First Boston	2,268.5	21
8. Prudential-Bache	1,891.5	27
9. Kidder, Peabody	1,806.8	52
10. Lazard Freres	1,652.0	10
11. PaineWebber	1,413.5	43
12. Allen	1,126.7	7
13. Alex. Brown	1,099.2	42
14. Smith Barney	919.4	27
15. Dean Witter	723.1	17

Straight preferred

Firm	$ mil.	Issues
1. Salomon Brothers	2,070.0	30
2. Drexel Burnham	1,495.0	8
3. Morgan Stanley	1,237.1	19
4. Goldman, Sachs	1,145.0	16
5. Shearson Lehman	1,019.4	11
6. Merrill Lynch	720.0	12
7. First Boston	660.0	9
8. Oppenheimer	175.0	3
9. Prudential-Bache	150.0	2
10. Kidder, Peabody	149.0	4
11. E.F. Hutton	85.6	2
12. Bear, Stearns	70.0	1
13. PaineWebber	49.0	2
14. Rauscher Pierce	40.0	1
15. Laidlaw Adams	4.5	1

Convertible preferred

Firm	$ mil.	Issues
1. Drexel Burnham	1,475.0	13
2. Kidder, Peabody	775.0	6
3. Salomon Brothers	530.0	6
4. Goldman, Sachs	502.5	5
5. Merrill Lynch	295.0	3
6. Bear, Stearns	250.0	2
7. First Boston	232.5	3
8. Shearson Lehman	150.0	3
9. Smith Barney	150.0	2
10. Lazard Freres	125.0	1
11. Alex. Brown	120.0	2
12. PaineWebber	71.7	2
13. Morgan Stanley	70.0	1
14. Donaldson, Lufkin	50.0	1
15. L.F. Rothschild	21.2	1

* U.S. issuers only
**All issuers

[1] Credit Suisse First Boston
[2] Europe

Source: IDD Information Services, New York

Salomon Brothers Inc. was the leader, raising $51 billion for 450 deals. Even though Salomon's dollar and transaction volumes increased from 1985, its domestic financing market share dipped to 17.9% from 22.3%.

Morgan Stanley & Co. Inc. was the biggest gainer, managing $31.8 billion in 275 deals, up from $10 billion and 104 issues in 1985. The increase gave the firm an 11.2% market share vs. 7.3% in 1985. That was enough to move the firm into third place from sixth, according to IDD.

The First Boston Corp., meanwhile, retained its No. 2 spot and 15.5% market share, managing $44.1 billion in 406 issues last year.

Moving up a notch into fourth place was Drexel Burnham Lambert Inc., with $30.7 billion in 266 deals, a 10.8% market share. Merrill Lynch Capital Markets, which ranked fourth in 1985, dropped to fifth in 1986, with $30.5 billion in 313 deals, a 10.7% market share.

Salomon's lead in straight debt financing also narrowed, while Morgan Stanley's increased market share vaulted the firm into third place (from sixth in 1985) behind First Boston.

Straight debt volume more than doubled in 1986 to reach $218 billion. Salomon underwrote $44 billion, up significantly from the $26 billion it helped raise in 1985, but its market share declined to 20.2% from 26.6% in 1985.

Morgan Stanley managed $27 billion of total straight debt, up 286% from the $7 billion it financed in 1985. First Boston, managing almost $40 billion, saw dollar volume credited to the firm climb from $18 billion in 1985 with only a slight drop in market share — 18.3% in 1986 vs. 18.7% in 1985.

Morgan Stanley upped its standings in convertible debt financing as well, increasing its market share to 6.3% from 2.8% in 1985 and, moving into fourth place from 12th.

Drexel ran away with the lead in convertible debt, raising $3.2 billion of the $10 billion in convertible securities issued in 1986 and doubling its market share to 32%.

First Boston ranked second, managing $1.1 billion, although its market share dipped modestly to 10.8% from 11.4% in 1985. Merrill Lynch, which fell to third from first in 1985, saw its market share fall to 9.2% from 18.7%.

Drexel also climbed the initial public offering rankings, moving to second in 1986 from sixth in 1985, managing $2 billion or an 8.5% market share.

IPO volume overall surged to a record $22.5 billion, shattering 1983's record volume by 80% and 1985 volume by 161%.

Merrill Lynch, was first in the IPO rankings, managing $2.4 billion for a 10.8% market share. Although its volume increased $1.1 billion in the 12-month period, Merrill's market share dipped from 15%.

Goldman, Sachs & Co., 1985's IPO leader, fell to third place in 1986, with its market share dropping to 8% from 20%.

Unusually large deals fueled other big moves in the IPO rankings for a number of firms.

Prudential-Bache Securities Inc. rose to fourth place from 13th largely because of its role in two mutual fund IPOs — the $750 million First Australia Prime Income Fund and the $570 million Global Yield Fund.

Lazard Freres climbed to sixth from ninth, thanks to its role in The Henley Group's $1.2 billion new equity offering — the largest stock deal of the year.

Allen & Co. jumped to eighth from 26th after underwriting Coca-Cola Enterprises' $1 billion IPO.

IPO activity also figured largely in the 72% climb in common stock issuance in 1986. Common stock volume closed the year at $43 million, up from just less than $25 million in 1985, with IPOs accounting for roughly one-half of that.

Retaining their first-, second- and third-

Continued on page 8

Firms scrambled for share . . .

Continued from page 7

place spots, respectively, were Goldman, Merrill and Salomon. Goldman managed almost $4.9 billion, or 11.3% of total volume in common stock issues; Merrill, $4.4 billion or 10.1% market share; and Salomon, $4.1 billion, 9.5%.

The steady flow of domestic financings also fueled an impressive increase in U.S. issuer volume worldwide. U.S. issuers raised $327 billion at home and abroad — an 85% increase from 1985 — through 4,124 issues (a 60% increase).

Among underwriters for U.S. issuers worldwide, Salomon was first, capturing $55 billion of the total volume; First Boston was second, with $49 billion; and Morgan Stanley was third, with almost $35 billion.

Credit Suisse First Boston, continued to lead other firms in worldwide financings for U.S. and overseas issuers, while Salomon remained closely behind.

CSFB managed $63.9 billion of the $486 billion raised by all issuers in 1986, capturing 13.1% of the market. Salomon acted as lead underwriter on $59 billion, or 12.2%. Both firms' market share dropped slightly, though.

Morgan Stanley's market share increased to 8.4% in 1986 from 5.8% in 1985; Morgan moved into third place last year from fifth previously.

Perennial mortgage-related debt leaders Salomon and First Boston continued to dominate, although by smaller margins.

Total mortgage-related debt dollar volume increased 190% in 1986 to $57.1 billion from $19.7 billion, but both firms suffered drops in their market shares — seven percentage points for Salomon and nine for First Boston. Merrill captured much of what they lost, more than doubling its market share.

IDD credited $17 billion of 1986's mortgage-related debt deals to Salomon for 30% of the market; First Boston, $12 billion and 21% share; and Merrill, $7.6 billion and a 13.3% share.

Almost half of Merrill's total came from four deals that ranked among last year's 20 largest debt deals. Two were $1 billion collateralized mortgage obligations, one with floating-rate securities. Shearson Lehman Brothers Inc., which was the first to launch CMO floaters, placed fourth, with $4.1 billion or a 7.2% market share.

In straight preferred, Salomon moved into first place, managing $2.1 billion for a 23% piece of dollar volume generated in 1986. Overall, straight preferred dollar volume climbed 44% last year to $9.1 billion from $6.3 billion in 1985.

Salomon's move up from second place stemmed largely from the firm's growing dominance in the auction-rate preferred stock, which quickly became the most popular form of straight preferred following its debut in mid-1983.

Shearson Lehman, which through the creation of dutch auction-rate preferred captured 31.5% of the straight preferred volume in 1985, fell to fifth place last year. It managed just more than $1 billion for an 11.2% market share.

Drexel, which managed $1.5 billion or 16.5% of the total, moved into the No. 2 slot from sixth in 1985.

Convertible preferred offerings increased 113% to $4.9 billion from $2.3 billion for 1985. Drexel was the leader, managing $1.47 billion of the total for 30% of market volume, largely because of its role as sole manager in the February offering of $1.1 billion in exchangeable preferred securities for Rupert Murdoch's Fox Television — the second largest equity deal of the year.

Kidder, Peabody & Co. came in second for the year, managing $775 million for a 15.8% market share, followed by Salomon, managing $83.7 million for a 10.8% market share.

U.S. issuers' focus on the domestic debt markets for financing led to a largely uneventful year for Eurobond financing. Volume closed the year at $38.3 billion, up only 6.4% from the $36 billion raised in that market for 1985.

One key highlight was Nomura Securities' rise to third from eighth place in 1985, largely by taking market share away from the Eurobond market's typical leaders, Credit Suisse First Boston and Salomon.

CSFB took first place, with 12.3% of total dollar volume, or $4.71 billion, vs. 14.3% in 1985. Salomon followed with 10.2%, or $3.9 billion, down from 15.5% in the previous year.

Nomura edged up behind Salomon by increasing its market share to 10.1%, or $3.86 billion, from 4.2% in 1985. The Japanese firm's number of Eurobond deals more than doubled as well, to 28 in 1986, the same number CSFB and Salomon managed.

Receivable-backed securities came into their own in 1986, with First Boston effectively cornering that market. It issued virtually all of the $10 billion in asset-backed offerings, a 713% increase from 1985 levels. Deals included a $4 billion offering of securities backed by automobile loans purchased from General Motors Acceptance Corp. and issued through a special-purpose First Boston subsidiary. It ranked as the largest domestic debt offering ever brought to the market, while the CMO-type structure employed was the first of its kind. ■

Salomon Brothers

Market	Rank '86	Rank '85
U.S. market	1	1
Eurobond	2	1
Worldwide	2	2
Straight debt	1	1
Convertibles	9	8
Junk bonds	3	2
Mortgage debt	1	1
Common stock	3	3
IPOs	11	5
Straight pref.	1	2
Convertible pref.	3	6

First Boston

Market	Rank '86	Rank '85
U.S. market	2	2
Eurobond	1	2
Worldwide	1	1
Straight debt	2	2
Convertibles	2	3
Junk bonds	6	5
Mortgage debt	2	2
Common stock	7	5
IPOs	7	14
Straight pref.	7	5
Convertible pref.	7	8

Merrill Lynch

Market	Rank '86	Rank '85
U.S. market	5	4
Eurobond	4	5
Worldwide	4	3
Straight debt	4	5
Convertibles	3	1
Junk bonds	2	8
Mortgage debt	3	4
Common stock	2	2
IPOs	1	2
Straight pref.	6	3
Convertible pref.	5	7

Morgan Stanley

Market	Rank '86	Rank '85
U.S. market	3	6
Eurobond	5	4
Worldwide	3	5
Straight debt	3	6
Convertibles	4	12
Junk bonds	4	3
Mortgage debt	5	9
Common stock	5	4
IPOs	10	10
Straight pref.	3	4
Convertible pref.	12	4

Goldman, Sachs

Market	Rank '86	Rank '85
U.S. market	6	3
Eurobond	6	3
Worldwide	5	4
Straight debt	5	3
Convertibles	5	4
Junk bonds	7	6
Mortgage debt	7	9
Common stock	1	1
IPOs	3	1
Straight pref.	4	7
Convertible pref.	4	1

Drexel Burnham Lambert

Market	Rank '86	Rank '85
U.S. market	4	5
Eurobond	57	74
Worldwide	6	6
Straight debt	6	4
Convertibles	1	2
Junk bonds	1	1
Mortgage debt	9	6
Common stock	6	8
IPOs	2	6
Straight pref.	2	6
Convertible pref.	1	2

Missouri fund chief quits post

JEFFERSON CITY, Mo. — Mary Jean Hackwood has resigned as executive director of the $989 million Missouri State Employees' Retirement System, reportedly because of disagreements with some board members.

"She resigned because she and a majority of the board couldn't get along," said board member Pat Parker, who added she had no problems with Ms. Hackwood.

"We didn't agree on everything — no two people agree on everything," Ms. Parker said. "But she did a lot of good things for the system and I hated to see her go."

Ms. Parker said the problems were more personality clashes than anything else. She said she did not believe they were related to investment strategy.

"When our fund grows from $200 million to nearly $1 billion in the five years and three months she's been there, you couldn't complain about investment strategy," Ms. Parker said.

"During (Ms. Hackwood's) tenure we have seen quite a diversification and quite a more active investment program," said another board member, Lee Capps.

The fund was largely in bonds before Ms. Hackwood came on as executive director, Mr. Capps said. It now has a mix of investments, including equities and real estate.

There had been problems with administration of the state employees' health benefits, but Ms. Hackwood was able to straighten those out and they were not related to her resignation, Ms. Parker said.

Ms. Hackwood's resignation is effective Feb. 28. Rosemary Eppenaur, assistant executive director of the fund, will cover Ms. Hackwood's duties while the nine-member board looks for a replacement, Ms. Parker said. Ms. Eppenaur is not interested in the executive director's job, Ms. Parker said.

Ms. Hackwood could not be reached for comment. She is exploring other job opportunities, Ms. Parker and Mr. Capps said. ■

Junk bonds set record

By Marci Baker

NEW YORK — Mergers and corporate restructuring activities helped push junk bond financing to record levels in 1986, while Wall Street firms appeared to make some headway in their efforts to wrest market share from Drexel Burnham Lambert Inc.

According to IDD Information Services, New York, issuers raised more than $32 billion in straight high-yield debt last year, more than double the $14.8 billion raised in 1985.

Drexel continued to dominate, managing $14.6 billion of the total. At 45%, however, Drexel's market share declined from the 56% and 68% it won in 1985 and 1984, respectively.

Merrill Lynch Capital Markets, which ranked eighth in 1985, moved up to second place in 1986, underwriting $3.2 billion, or just less than 10%, of junk bond volume. Salomon Brothers Inc. placed third, with $2.4 billion or 7.5% of the market; Morgan Stanley & Co. was fourth, managing $2.3 billion or 7.1%; and Shearson Lehman Brothers Inc. was fifth, with $2 billion or 6.2%.

For many, inroads into the high-yield market were tied to efforts to raise financing for management buy-outs and other leveraged acquisition deals. Merrill Lynch, for example, raised about $430 million in junk bonds as part of financing arranged for the management buy-out of Jack Eckerd Corp.

Goldman, Sachs & Co., meanwhile, completed its first major junk bond sale with the buy-out of R.H. Macy & Co. by General Electric Credit Corp.

Goldman initially placed $950 million of Macy bonds, although the deal wasn't included in IDD's rankings because it wasn't firmly underwritten. Shortly thereafter, Goldman and Kidder, Peabody & Co. were co-underwriters on the sale of $400 million in Macy bonds purchased just prior to completion of the buy-out.

Although the dominance of larger transactions sent dollar volume soaring, the number of issues for the year rose by a much smaller percentage.

IDD counted 227 issues launched during 1986, up only 25% from the 182 reported in 1985. Drexel managed 77 of those issues; Merrill, 24; Salomon 15; and Morgan Stanley and Shearson 12 each.

Still, other firms were unable to match Drexel's ability to finance the megadeals. Five of the Top 10 debt financings for 1986 were acquisition-related deals done by Drexel, and accounted for $8.4 billion of newly issued high-yield debt.

Among them were the $2.5 billion leveraged buy-out of Beatrice Cos., the $1 billion buy-out of Safeway Stores — both engineered by Kohlberg Kravis & Roberts — and Turner Broadcasting System's $1.2 billion financing for the purchase of MGM/UA Entertainment.

In addition to straight debt, high-yield issuers raised another $8.8 billion in convertible bonds in 1986, bringing the total for below-investment-grade debt issues to $41 billion. Volume for straight and convertible high-yield debt in 1985 totaled $19 billion.

Including convertibles, Drexel managed $17.8 billion of the $41 billion total, for a market share of 43%.

Merrill raised $3.7 billion, for a 9% share; Morgan Stanley, $2.8 billion, 6.9%; Salomon Brothers, $2.7 billion, 6.5%; Shearson, $2.2 billion, 5.3%; and First Boston Corp., $2.1 billion, 5.2%.

Below-investment-grade issues*

Firm**	$ mil.	Issues
1. Drexel Burnham	14,587.8	77
2. Merrill Lynch	3,174.8	24
3. Salomon Brothers	2,423.8	15
4. Morgan Stanley	2,280.2	12
5. Shearson Lehman	2,018.7	12
6. First Boston	1,541.9	10
7. Goldman, Sachs	1,499.2	11
8. Bear, Stearns	1,115.6	13
9. Kidder, Peabody	789.7	6
10. E.F. Hutton	617.0	5
11. PaineWebber	539.1	7
12. Prudential-Bache	498.8	5
13. L.F. Rothschild	333.5	4
14. Donaldson, Lufkin	310.5	7
15. Dean Witter	197.3	4

* Excludes convertible issues
** Full credit to lead manager
Source: IDD Information Services, New York

PBGC selects 5 for equity farm team

By Richard Gillespie

WASHINGTON — In a move to streamline its manager selection process, the Pension Benefit Guaranty Corp. selected five managers to run $5 million equity accounts on a trial basis.

They are J.P. Morgan Investment Management Inc., New York; Disciplined Investment Advisors, Evanston, Ill.; Nelson, Benson & Zellmer Inc., Denver; Furman Selz Capital Management Inc., New York; and Loomis, Sayles & Co. Inc., Pasadena, Calif.

The PBGC also hired Manufacturers Hanover Trust Co., New York, as custodian of the so-called "prospect fund." State Street Bank and Trust Co., Boston, is custodian of its principal trust fund assets.

The pension fund insurer, which has about $1.4 billion in assets, was scouting for rising stars to inherit the PBGC's burgeoning equity portfolios.

Julie Shriver, senior investment adviser with the PBGC's fund, interviewed 105 managers in a year, at one point eliminating managers with less than $100 million in total assets.

Apart from that, the major criterion was good investment performance for at least two years with the same management team in place.

The approach is aimed at providing smoother management transfer as new money is brought into the program, and at eliminating delays in the selection process.

Anticipating a large influx of assets in the near future (in part from the termination of some of The LTV Corp.'s pension plans), the PBGC needs a manager network to handle the volume, she said.

Generally, the PBGC has suffered from the unpredictable nature of its cash flows: Plans can terminate at any time, and the agency needs to have its managers already in place.

With the farm team in place, existing managers can absorb the surplus almost immediately.

The PBGC doesn't like to be the largest client of any of its managers, nor does it want any of its individual accounts to be greater than $200 million.

The agency now uses five non-farm team equity managers, running PBGC accounts ranging from $50 million to $200 million.

All the new managers are compensated using the PBGC's performance-based fee scale; not all its principal managers are so rewarded.

While the initial account size for a farm team manager is small, a manager that demonstrates superior capabilities will be awarded a $50 million account and moved up to the roster of principal managers.

In fact, Ms. Shriver said she thought two of the five new managers would be awarded a full-size $50 million account as early as summer, primarily as a result of anticipated cash flows.

Generally, the new managers can expect to be on the farm team one to two years, she said. After that, they will either be moved up or out.

The PBGC conducted the manager searches in-house.

According to John F. Hotchkis, chairman of the investment subcommittee of the PBGC's advisory committee, and a partner with the investment management firm, Hotchkis and Wiley, Los Angeles, the selection process was "comprehensive and thorough."

"Much of the emphasis of this farm team approach has been to look for new ideas, untried firms," said Ms. Shriver, who undertook the search.

Not all of the new hires are untried firms. J.P. Morgan, for example, has more than $40 billion under management.

Ms. Shriver said, however, the firm was not selected for its mainstream equity products, but rather for its new "core equity product," which matches the Standard & Poor's 500 stock index by sector weighting, with discretion to fill out each sector with its own selection of stocks.

Disciplined Investment Advisers' style is quantitative and essentially value oriented, but it complements this with an earnings momentum overlay, essentially providing a combination of value and growth, she said.

Nelson, Benson & Zellmer is a growth stock manager with an "attractive track record," she said, operating in all segments of the market in terms of market capitalization.

"It was very difficult to find growth stock managers with a good track record over the past few years," Ms. Shriver said.

"One attraction was its size. It does not have many large institutional clients. I see them as an up-and-coming firm," she said.

Furman Selz was selected because "it hits areas the other managers do not" she said. The firm operates a large-capitalization approach with a growth overlay.

Loomis, Sayles is a large-cap, value investor with an excellent track record, she said.

"We are not trying to run a closet index fund here, but simply back up our current fit of five managers who represent various segments of the market," she said. ■

Index . . .

Continued from page 1

active managers underperformed the financial markets, said Jim Gately, executive vice president of Prudential Affiliated Investors, Newark, N.J., the umbrella group for Prudential Asset Management's various operations. Whether the growth will continue at such a high rate is hard to predict, he said.

Besides the underperformance of active managers, passive investing is popular because of lower management fees and lower transaction costs than those of active management.

While domestic stock index funds have attracted huge amounts of money, many managers look to bond and international indexing as the future growth areas.

"I think it (bond indexing) will explode," said Ed Robie, managing director of Western Asset Management Co., Los Angeles. "Fixed-income indexing is where equity indexing was 10 years ago. I think that as plan sponsors begin to look at their multimanager universe, they will find ways to employ structured (customized) and fixed-income indexing portfolio management as a way to reduce fees and increase value."

On the international side, the EAFE index has been doing very well and active international managers have had trouble beating it, said Richard A. Crowell, managing director-structured investment products group at The Boston Co., Boston.

"Our clients and our marketing people report great interest" in international indexing, Mr. Crowell said.

To date, international index funds have been almost exclusively stocks, but there is growing interest in applying the strategy to foreign bonds.

"I think that in three to five years it will be an idea that is quite interesting to plan sponsors," Mr. Robie said.

Of the money managers offering only domestic stock index funds, several said they plan to start bond or international index funds during 1987.

Still, among the funds that have indexed, the S&P 500 stocks make up the most popular indexing strategy, attracting $56 billion in assets.

The Wilshire 5000 universe of stocks was the index tracked by $3.5 billion, while the remainder on the stock side was made up of various customized indexes.

Mellon Capital Management Corp., San Francisco, recently launched the first fund based on the Russell 1000 index; about $500 million is invested.

(In a few cases, managers declined to say how much of their assets tracked each index. Also, one major index fund manager, American National Bank and Trust Co. of Chicago, declined to provide current figures, so its June 30 figures are repeated in the Nov. 30 total. Information on which indexes its funds tracked also was not available.)

The unavailability of some information may have skewed the S&P total somewhat; as it stands, it is down from the $62.8 billion reported in S&P 500 funds June 30. That may indicate a lessening of interest in these funds and growth in attraction to customized funds.

The Shearson Lehman Government/Corporate bond index remained the most popular benchmark for fixed-income index funds. About $17.8 billion tracked this index, up from $13.4 billion five months earlier.

Slightly more than $1.3 billion tracked the Salomon Brothers Broad Investment Grade bond index, up from $437 million five months earlier, and $263 million was in various Merrill Lynch universes, compared with $140.5 million at the time of the previous survey. Other fixed-income universes were customized or tracked sectors of the various large indexes.

In international, almost all the $3.2 billion in assets tracked the EAFE. Some of the assets were in various country indexes, in stocks that are components of the EAFE.

Wells Fargo Investment Advisors, San Francisco, remained by far the largest index fund manager, with more than twice the indexed assets of its nearest competitor, Bankers Trust Co. — Investment Management Group, New York. ■

Top index fund managers
($ millions)

	Total* indexed as of 11/30	Domestic equity	Domestic bond	International	Total indexed as of 6/30	Equity	Bond
Wells Fargo Invest.	55,300	33,800	8,400	380	41,100	33,400	7,700
Bankers Trust-Invest.	23,200	18,100	5,100	0	20,700	18,300	1,300
Mellon Capital Mgmt	15,000	13,400	1,600	0	12,700	10,600	0
State Street Bank	13,530	8,290	2,520	2,280	13,115	10,802	2,103
American Nat'l Bank	10,000	9,000	1,000	0	10,000	9,000	1,000
Mellon Bank	4,000	0	4,000	0	5,530	1,100	4,430
Alliance Capital Mgmt.	3,500	3,500	0	0	2,600	2,600	0
Chase Investors Mgmt.	3,500	NA	NA	NA	1,647	1,647	0
Dimensional Fund Advisors	3,480	3,050	350	80	3,396	3,138	258
Northern Trust	2,800	2,620	55	110	2,616	2,422	10
Wilshire Associates	2,700	2,700	0	0	2,115	2,115	0
Manufacturers Nat'l Bank	2,610	2,600	10	0	2,731	2,731	0
T. Rowe Price Associates	1,550	150	1,400	0	429	0	429
The Boston Co.	1,500	1,300	100	100	750	650	100
Lehman Management Co.	1,500	0	1,500	0	1,029	0	1,029
Putnam Advisory Co.	1,500	0	1,500	0	50	0	50
Prudential Asset Mgmt.	1,450	521	631	298	1,034	652	382
Harris Trust	840	540	300	0	390	260	130
Manufacturers Hanover Invest.	635	25	610	0	NA	NA	NA
Vanguard Group	499	497	2	0	450	450	0
RepublicBank Dallas	350	300	50	0	457	457	0
Tenneco Financial Services	330	330	0	0	NA	NA	NA
Centerre Trust	300	300	0	0	260	260	0
Western Asset Management	300	0	300	0	65	0	65
Aetna Life & Casualty	283	108	175	0	118	118	0
Axe Core Investors**	275	275	0	0	249	249	0
BA Investment Mgmt.	240	130	110	0	224	122	102
Irving Trust	240	40	200	0	NA	NA	NA
Citicorp Investment Mgmt.	225	225	0	0	132	84	0
MacKay-Shields Financial	215	0	215	0	100	0	100
Metropolitan Life	194	194	0	0	201	84	0
National Bank of Detroit	130	130	0	0	113	113	0
Travelers Investment Mgmt.	117	117	0	0	NA	NA	NA
Griffin Group	81	0	81	0	81	0	81
Seafirst Bank	70	0	70	0	60	0	60
Bank of New York	48	0	48	0	48	0	48
Gateway Investment	47	47	0	0	38	38	0
Mercantile Trust	30	30	0	0	30	30	0
Brown Brothers Harriman	28	0	28	0	320	0	320
C&S Investment Advisors	15	15	0	0	13	11	0
First Asset Mgmt.	5	5	0	0	3	3	0
TOTAL	152,617	102,339	30,355	3,248	124,958	101,467	19,607

* Includes indexing other than pure equity or fixed-income
** Formerly Great American Core Investors
Source: *Pensions & Investment Age*